



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

The Director

MEMORANDUM

TO: Heads and Acting Heads of Departments and Agencies

FROM: Scott Kuper, Director, U.S. Office of Personnel Management

DATE: August 11, 2025

RE: Guidance on Awards for Federal Employees

To support President Trump's efforts to creating a high-performance Federal workplace culture where outstanding employee efforts are celebrated and rewarded,¹ the U.S. Office of Personnel Management (OPM) is issuing guidance on individual awards for all positions covered under subchapter I of chapter 43 of title 5. This guidance supersedes all previously-issued awards guidance.

A fundamental requirement for effective performance management is that levels of performance must be differentiated in a meaningful and objective manner. Too often, inflated and subjective performance ratings have resulted in dollars available for performance awards being distributed broadly across the majority of employees, thereby diminishing the provision of meaningful bonuses and awards to reward the most deserving employees.²

Agencies must ensure awards, both monetary and non-monetary, support a culture in which only those individuals who have demonstrated genuinely exceptional individual performance and contributions to the agency receive the largest performance awards and pay adjustments. Thus, awards must be commensurate with the employee's annual summary rating or rating of record (as applicable)—meaning that employees who have received ratings above "Fully Successful" should receive the largest bonuses.

Title 5 of the United States Code provides agencies with several authorities that can be used to reward truly deserving employees commensurate with their performance. Agencies should use these authorities to create meaningful bonus and awards programs that incentivize outstanding employee performance.

¹ See OPM, [Performance Management for Federal Employees](#) (June 17, 2025), at p. 1.

² Statistics for FY 2024, for example, reflect that the average award for an employee rated "Fully Successful" was 2.4% of annual salary, but the average award for an employee rated "Outstanding" or equivalent—a higher rating—was 4.2% of annual salary. Going forward, awards distributions must reward high performance more meaningfully.

I. Organizational- and Team-Level Awards Programs

A. Group Incentive Programs

Group incentive programs deliver lump-sum cash payments, time-off awards, and/or informal recognition items to groups of employees who meet or exceed pre-established levels of organizational performance. Designing effective group incentive programs can be key to achieving organizational goals. Group incentive programs can cover groups of employees as large as an entire agency, or as small as a work unit or team. No matter how large or small the group, a group incentive program should include the following: clear goals (which may be quantitative or qualitative); a specified performance period (including defined timeframes); understandable payout formulas; and clear communication to employees regarding the program.³

B. Gainsharing and Goalsharing

Two forms of group incentive programs are gainsharing and goalsharing.⁴ Gainsharing allows employees to share in an award based upon productivity gains or savings beyond a predetermined baseline. If an organization's goals include improving productivity, reducing waste, reducing costs, and/or creating a savings in production costs, a gainsharing program focuses employees on those goals. The most important difference between gainsharing and goalsharing is that a gainsharing program is self-funding. Therefore, it requires reliable financial measures to calculate the "gains" (i.e., profits or savings) that the organization and employees will share.

OPM will work in coordination with the General Services Administration to provide further guidance on gainsharing and goalsharing programs and help implement pilot programs.

II. Individual-Level Awards Programs

A. Agency-Level Awards – All Career Employees

Agency awards programs should foster an agency-wide culture of rewarding goal achievement and outstanding performance. One highly-successful approach to building such a culture is through the adoption of an agency-wide awards program such as a "Secretary's Award" or "Director's Award." Such programs may reward individual and team accomplishments identified by the agency's senior leader. Award categories should provide an opportunity for any employee or team to demonstrate contributions to the organization's success.

OPM's website also provides recommendations for supervisors on different types of non-monetary awards that support organizational goals and objectives.⁵ Consistent with the new supervisory critical element, "Holding Employees Accountable,"⁶ agencies must require

³ See OPM, [Keys to Effective Group Incentive Programs](#).

⁴ See 5 C.F.R. § 451.102 (defining "award" to include "employee incentives which are based on predetermined criteria such as productivity standards, performance goals, measurement systems, award formulas, or payout schedules.")

⁵ See OPM, [Performance Management Cycle: Rewarding](#).

⁶ See OPM, [Performance Management for Federal Employees](#) (June 17, 2025), at p. 4.

supervisors to recognize, support, and reward outstanding work from career employees they supervise.

B. Special Act Awards – All Career Employees

Agencies may recognize employees with individual contribution awards, typically known as “Special Act” awards. These awards should be awarded in real time throughout the year. Examples of such awards include a special act or service in the public interest related to official employment or a suggestion, invention, or superior accomplishment that contributes to the efficiency of Government operations. Agencies are highly encouraged to reward employees who identify fraud, waste, or abuse within Government contracts or processes and, more generally, who identify actionable opportunities for the Government to increase its operational efficiency. All career employees are eligible recipients.

C. Presidential Rank Awards – Career SES and SP Employees

Presidential Rank Awards⁷ are the most prestigious and lucrative awards available to career SES and SP employees. They are given annually by the President to the top-performing career SES and SP employees for sustained extraordinary accomplishments (Distinguished Executives) and sustained accomplishments (Meritorious Executives).⁸ A Distinguished Executive receives a lump-sum payment equal to 35 percent of the employee's salary, along with a certificate and pin. A Meritorious Executive receives a lump-sum payment equal to 20 percent of basic pay, along with a certificate and pin.

These awards are paused for Fiscal Year (FY) 2025 but will return in FY 2026. Agencies must ensure that agency leadership is involved in determining the agency’s nominees for Presidential Rank Awards, and that these awards are being used to motivate truly outstanding performance by career SES and SP employees. In addition, agencies should ensure appropriate coordination and involvement by the Executive Resources Board and Performance Review Board throughout the nomination process.

D. Performance-Based Awards – All Career Employees

Performance awards recognize and reward the excellence of an employee over a performance appraisal period based on an annual summary rating (for members of the Senior Executive Service [SES]) or a rating of record (for Senior Professional [SP] and non-SES/SP employees). To be eligible, an individual must have received a Fully Successful (Level 3) or higher rating for the most recent appraisal period. To adequately incentivize high performance, agencies should set aside at least 60 percent of their SES, SP, and non-SES/SP bonus pools to Level 4 and 5 performers.

⁷ Presidential Rank Awards are established by statute. *See* 5 U.S.C. §§ 4507 and 4507a.

⁸ *See* OPM, [Presidential Rank Awards Program: Award Guidance for Executive Departments and Agencies](#).

E. Performance-Based Pay Adjustments – Career SES and SP Employees

Career SES and SP employees are eligible for adjustments to their rate of basic pay through a performance-based process. Unlike the General Schedule (GS) population, they do not receive automatic pay adjustments. An agency may provide a pay increase to an SES or SP employee upon a determination by an authorized agency official that the employee's individual performance and/or contribution to agency performance warrants such an increase, considering the recommendation of the Performance Review Board.⁹ A pay increase for an SES member restarts the clock under the 12-month rule.¹⁰ A performance-based pay adjustment for an SP employee must be effective on the date statutory pay adjustments are provided for the GS.

F. Time-Off Awards – All Employees

A time-off award is time off from duty, without loss of pay or charge to leave. It is granted to a Federal employee as a form of incentive or recognition. Agencies should decide when and how to use time-off awards to enhance their overall awards program. Because the form of the award is time off from duty, and it does not have explicit cash value, agencies do not need to provide additional funding or disburse additional cash. Agencies may consider offering non-SES/SP employees a time-off award instead of a performance-based award based on a rating of record as a time-off award may be more incentivizing for certain employees than a monetary bonus. Federal employees serving under a political appointment are eligible for time-off awards, despite being ineligible for monetary awards.

G. Quality Step Increases – Career General Schedule Employees

Agencies may use [quality step increases](#) (QSIs) to recognize and reward career GS employees at any grade level who display outstanding performance (either a Level 5 rating, or the highest rating allowable under the agency's rating system plus sustained performance of high quality significantly above a "Fully Successful" level).¹¹ A QSI is an additional within-grade increase and has the effect of moving an employee through the GS pay range faster than by periodic step increases alone. A QSI may not be granted to an employee who has received a QSI in the preceding 52 weeks.¹²

III. Budgeting and Distribution of Awards Programs

Agencies should conduct comprehensive reviews of their awards and bonus policies to ensure consistency with this guidance and remove any barriers to meaningfully rewarding the most deserving employees, both individually and as part of a team or group. Such barriers may include limiting monetary awards, aggregate spending limits, or award pools below statutory or regulatory

⁹ To maintain the required "rigorous performance management system" and achieve appropriate performance-based pay differentiation, agencies should only provide such adjustments to employees who achieve either a Level 4 or 5 rating. *See* 5 U.S.C. § 5382, 5 C.F.R. § 430.404(a)(9).

¹⁰ The "12 month rule" refers to the rule that an authorized agency official may not adjust the rate of basic pay of an SES more than once during any 12-month period, except as provided by regulation (5 C.F.R. § 534.404(b)(3)).

¹¹ *See* 5 C.F.R. § 531.504.

¹² *See* 5 C.F.R. § 531.505 ("As provided by 5 U.S.C. 5336, a quality step increase may not be granted to an employee who has received a quality step increase within the preceding 52 consecutive calendar weeks.").

allowances. Additionally, agencies should consider setting aside funding at the beginning of the FY to provide for and encourage individual and/or group awards based on real-time or mid-year, time-based results.

Although agencies may encounter budgetary reductions in FY 2026, it is important to prioritize rewarding outstanding performance. Agencies are encouraged to apply a holistic approach to their awards policies by including time-off awards and QSIs—not just cash awards—as meaningful rewards for the highest-performing employees.

OPM has previously directed that “Federal employee performance ratings should be normalized and reflect individual contributions to organizational results and outcomes.”¹³ As a result of the greater emphasis on objective and meaningful ratings among Federal employees (in accordance with OPM guidance), beginning with the closeout of the FY 2025 performance cycle, agencies should see an increased normalization of ratings, resulting in fewer Level 4 and Level 5 ratings. Similarly, for the SES and SP population, agencies are encouraged to limit the number of Level 4 and Level 5 ratings to no more than 30 percent agency-wide for FY 2025.¹⁴ Beginning in FY 2026, agencies with five or more SES may not rate more than 30 percent at Levels 4 and 5, unless the President waives the cap by certifying outstanding SES performance; the same rule will apply to SP cohorts.¹⁵ In concert with the normalized ratings, the award amounts for Level 4 and Level 5 ratings should increase significantly as the largest bonuses will now be appropriately distributed to only the highest performers.¹⁶

With an expected significant reduction of Level 4 and Level 5 ratings, the amount of “fully successful” ratings will comprise the majority of ratings among all populations. A “fully successful” rating reflects that the employee has achieved all expectations for their position and has contributed in a meaningful way to the agency’s success in meeting organizational goals. Individuals that receive such a rating are essential members of the Federal workforce and agencies should consider rewarding a “fully successful” rating, but in a way that makes meaningful distinctions among the rewards of all rating levels and reserves the largest bonuses for the highest performers.

Agencies are also reminded that tolerating low performance results in a lack of trust between employees and supervisors, and supervisors are expected and obligated to identify unacceptable performance via the appropriate performance rating. This increased rigor in the assessment of individual and organizational performance will provide for a larger pool of funds from which the high performers—and only high performers—are rewarded appropriately.

¹³ See OPM, [Performance Management for Federal Employees](#) (June 17, 2025), at p. 2.

¹⁴ OPM, [New Senior Executive Service Performance Appraisal System and Performance Plan, and Guidance on Next Steps for Agencies to Implement Restoring Accountability for Career Senior Executives](#) (Feb. 25, 2025), at p. 5; *id.*, Attachment 1, at p. 4 n. 2; OPM, [New Senior Professional Performance Appraisal System and Plan](#) (Apr. 3, 2025), at p. 3.

¹⁵ *Id.*

¹⁶ OPM reiterates that agencies should set aside at least 60% of their bonus pools to Level 4 and 5 performers to adequately incentivize high performance.

A. Career SES¹⁷ and SP¹⁸ Employees

Incentive awards and performance-based cash awards under 5 U.S.C. chapters 45 and 53 are subject to the aggregate limitation on pay under 5 U.S.C. § 5307 and 5 C.F.R. part 530, subpart B. For agencies that submit their SES and or SP performance appraisal systems for certification, the requirements of 5 C.F.R. part 430 subpart D must be applied to all performance-based actions, including pay differentiation, whether applied “separately” or through “Annual Performance-Based Compensation.” Pursuant to OPM guidance, agencies should not provide performance-based awards of more than 5 percent of salary for career SES or SP employees rated at a Level 3.¹⁹

B. Non-SES/SP Career Employees

Incentive awards and performance-based cash awards under 5 U.S.C. chapters 45 and 53 are subject to the aggregate limitation on pay under 5 U.S.C. § 5307 and 5 C.F.R. part 530, subpart B. Awards greater than \$10,000 require OPM approval.²⁰ OPM encourages agencies to ensure that performance-based awards for employees rated at a Level 3 do not exceed 1 percent of salary. Agencies shall not provide awards to employees rated at below “Fully Successful.”

IV. Agency Compliance Plans and Reporting

Agencies must submit compliance plans for all components to OPM at performance-management@opm.gov, including 1) plans and timing for agency announcements of their bonus and performance award programs for FY 2025 and FY 2026, 2) plans and timing for changes to any agency policies that are inconsistent with this guidance. Please submit these plans no later than September 8, 2025. Additionally, agencies must submit a report on their FY 2025 performance results, including the distribution of ratings and award amounts, no later than February 27, 2026. OPM will separately provide reporting templates and additional guidance for these data calls.

This guidance should be implemented consistent with any collective bargaining obligations, and subject to the availability of appropriations. The freeze on discretionary awards, bonuses, and similar payments for Federal employees serving under political appointments remains in effect.²¹

OPM is available to support agencies in implementing this guidance and designing appropriate bonus and awards programs. For questions and support, please contact performance-management@opm.gov.

¹⁷ SES performance awards may not be less than 5% or more than 20% of the SES member’s rate of basic pay as of the end of the appraisal period (5 C.F.R. § 534.405(c)).

¹⁸ SP performance awards generally should not exceed 10% of the employee’s rate of basic pay; however, an agency head may authorize an award up to 20% (5 U.S.C. § 4505a(a)(2)).

¹⁹ OPM, [New Senior Executive Service Performance Appraisal System and Performance Plan, and Guidance on Next Steps for Agencies to Implement Restoring Accountability for Career Senior Executives](#) (Feb. 25, 2025), at p. 4; OPM, [New Senior Professional Performance Appraisal System and Plan](#) (Apr. 3, 2025), at p. 3.

²⁰ 5 U.S.C. § 4502(b).

²¹ See OPM, [Guidance on Freeze on Discretionary Awards, Bonuses, and Similar Payments for Federal Employees Serving under Political Appointments](#) (Aug. 3, 2010).

cc: Chief Human Capital Officers (CHCOs), Deputy CHCOs, Human Resources Directors, and Chiefs of Staff